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WEST EUROPE REPORT

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CONTENTS

ENERGY ECONOMICS

INTERNATIONAL AFFAIRS

- Norway's Energy Minister: Gas Could Aid Nordic Development
(HELSINGIN SANOMAT, 16 Jun 82) 1

SWEDEN

- Energy Conservation Report: Electricity Up, Oil Import Down
(DAGENS NYHETER, 1 Jul 82)..... 3

ECONOMIC

AUSTRIA

- Leading Banker on Credits to, Debts of Poland
(Hannes Androsch Interview; PROFIL, 19 Jul 82) 5

BELGIUM

- Eyskens Reports on Progress in Curing Economy
(Guy Depas; LE SOIR, 24 Jun 82) 9

DENMARK

- Paper Criticizes Failure of Jobs Program To Aid Employment
(Editorial; BERLINGSKE TIDENDE, 16 Jul 82) 12
- Liberals' Spokesman Charges Failure in Jobs Program
(Lisbeth Knudsen; BERLINGSKE TIDENDE, 15 Jul 82)..... 14

| | | |
|---|--|----|
| Briefs | | |
| Fewer Municipal Government Jobs | | 15 |
| FRANCE | | |
| Report Suggests Using Japanese Method To Compete With Them | | |
| (ELECTRONIQUE ACTUALITES, 23 Apr 82) | | 16 |
| Cot Speaks on Domestic Market, Third World | | |
| (Jean-Pierre Cot Interview; LE NOUVEL ECONOMISTE, | | |
| 24 May 82) | | 23 |
| Group Suggests Ways To Improve Use of Strategic Metals | | |
| (LES ECHOS, 28 May 82)..... | | 25 |
| Outline of Bank Reform Bill Becomes Known | | |
| (Henri D'Armagnac; LES ECHOS, 24 May 82) | | 28 |
| Briefs | | |
| Economic, Scientific Cooperation With Soviets | | 30 |
| Industrial Cooperation With Brazil | | 30 |
| NORWAY | | |
| Coal Mining Operations in Svalbard Register New Deficit | | |
| (AFTENPOSTEN, 22 Jun 82)..... | | 31 |
| Briefs | | |
| Polar Council on Svalbard Antarctica | | 32 |
| TURKEY | | |
| Sevig Eyes Investment Dependent on Foreign Credit | | |
| (Veysi Sevig; DUNYA, 18 Jun 82) | | 33 |
| ISO Conference Blasts Incompetent Representation, Sizes Up | | |
| Credit | | |
| (Meral Tamer; CUMHURIYET, 18 Jun 82) | | 35 |
| POLITICAL | | |
| DENMARK | | |
| Conservative's Schluter Sees Six-Party Nonsocialist Coalition | | |
| (Solveig Rodsgaard; BERLINGSKE TIDENDE, 11 Jul 82) | | 37 |

FEDERAL REPUBLIC OF GERMANY

- Genscher Defends FDP on Budget, Coalition, Hesse Election
(Hans-Dietrich Genscher Interview; DIE ZEIT, 9 Jul 82).. 40

FINLAND

- Finnish Academy Researcher Doubts Need for Nuclear-Free
Zone
(Steve Lindberg; HUFVUDSTADSBLADET, 26 May 82) 47
- Paavo Vayrynen Looks at Prospects for Political Future
(Anu Seppala; HELSINGIN SANOMAT, 13 Jun 82) 50
- Liberal, Center Party Congresses Agree To Merger
(UUSI SUOMI, 7, 23 Jun 82, HELSINGIN SANOMAT, various
dates) 58
- Others Inherit Liberals
Liberals Elect New Chairman, by Ritva Remes
Vayrynen: Center Chairmanship, by Arto Astikainen,
Kalle Heiskanen
Center Cool to Nuclear Power
Dissatisfaction With Vayrynen Remains, by Kalle
Heiskanen
Paper Views Meaning of Congresses, Editorial
Parties' Parliamentary Groups Merge

ICELAND

- Svavar Gestsson Views People's Alliance Election Results
(Staksteinar; MORGUNBLADID, 9 Jun 82) 72
- Paper Views Election Outcome in Light of Base Issue
(Editorial; MORGUNBLADID, 8 Jun 82) 74
- Observer: Election Losses Increase Tension in Marxist Party
(Staksteinar; MORGUNBLADID, 8 Jun 82) 76

SWEDEN

- Moderate Chief Adelson Sets Out Election Campaign Stands
(Magdalena Ribbing; DAGENS NYHETER, 25 Jun 82) 79

MILITARY

DENMARK

- Briefs
Ammunition, Uniforms Lacking If Mobilization 85

FEDERAL REPUBLIC OF GERMANY

Personnel Strength, Financial Problems of Bundeswehr
(NEUE ZUERCHER ZEITUNG, 18, 19 Jul 82) 86

Briefs
Further Funds Cuts Studied 90

GENERAL

INTERNATIONAL AFFAIRS

Norway's Polar Affairs Expert Sees Need for Antarctica Pact
(T. Svabo; AFTENPOSTEN, 3 Jul 82) 91

NORWAY'S ENERGY MINISTER: GAS COULD AID NORDIC DEVELOPMENT

Helsinki HELSINGIN SANOMAT in Finnish 16 Jun 82 p 28

[Article: "Norway's Energy Reserves Important to Central Nordic Development"]

[Text] Vaasa--Norway's energy reserves are continually opening up new prospects for Nordic and particularly Central Nordic cooperation. Norway's gas reserves, in particular, are arousing interest. "Even though Norway's gas reserves have not yet been sufficiently studied and mapped out, we are, however, looking at the future of gas with cautious optimism," states Nina Heggelund of Norway's Oil and Energy Administration. Norway's gas and oil in the development of the Central Nordic area was the subject of discussion on Tuesday at the Nordic Fair.

Local governments and cities from the central portions of Finland, Sweden, and Norway will participate in Central Nordic cooperation.

The search for gas is being conducted primarily in the area of Trondelag in Central Norway and in the vicinity of Tromso in Northern Norway. In order for a gas field to be profitable, the amount of gas in Central Norway should be at least 200 billion cubic meters. And a full 600 million cubic meters should be found in the north.

For the time being, 30 billion cubic meters of gas have been found in the area of Central Norway, states Heggelund. However, she contends that it is only a matter of time before the minimum amount will be located.

Large amounts of gas from Norway will be shipped abroad in the future, and gas deliveries elsewhere in the Central Nordic area will be in a key position. However, the use of gas will not be immediate since even according to the most conservative estimates it will take 10 years before production can begin.

The stand of Norwegian officials regarding gas production is quite cautious. In principle their attitude is positive, but there are still too many issues to be resolved. The most important issue according to Heggelund is the determination of export opportunities.

A Good Fuel for Industry

Director Rune Nylander from Sweden praised gas as an excellent fuel in all respects for industry. "Since Holland is no longer concluding any new gas delivery agreements and is not renewing the old agreements, the vacuum left by this must be filled. Norway and the Soviet Union enter into the picture here".

Gas from Holland was advantageous, but when the forthcoming change of power occurs, prices will also certainly be revised.

Nylander mentioned a pipeline from Norway across Sweden to the European Continent as the most beneficial alternative for Sweden.

Provincial Adviser Nils Sjolín from the Province of Västernorrland in Sweden is also promoting the exploitation of gas and the construction of a gas conduit network. "The Nordic area should not become a blank spot on the gas network map of Europe," he states.

Reports Are Being Compiled

The use of gas has already been studied to a certain degree in Norway. The conclusion has been reached that small amounts can already be exploited. However, too little is still known about the feasibility of transporting and transferring gas.

However, importance is still being given to oil in Norway for the time being. The search for oil is being conducted further and further to the north. Oil reserves are also of considerable significance to the Central Nordic area, it was confirmed in the discussions.

A Central Nordic committee was established 4 years ago to coordinate cooperation. Cooperation in the area of oil and gas, in particular, has presented the committee with challenges, but it has also brought question marks.

The task of the committee is, above all, to get the officials of all three countries to emphasize Central Nordic issues and to develop ties between enterprises in the area.

It may appear that the benefit from Central Nordic cooperation is one-directional; Norway has the resources, the others will exploit them. However, the Norwegians do not see it in this way, but say that they will be satisfied if they can maintain cooperation as a result of this.

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ENERGY CONSERVATION REPORT: ELECTRICITY UP, OIL IMPORT DOWN

Stockholm DAGENS NYHETER in Swedish 1 Jul 82 p 8

[Text] Since the first oil crisis in 1973 Sweden has reduced its energy consumption by just over 1 percent. Oil energy, which has been reduced by almost 2 percent, is entirely responsible for the savings. The consumption of electricity from water and nuclear power, on the other hand, has increased by just over 3 percent.

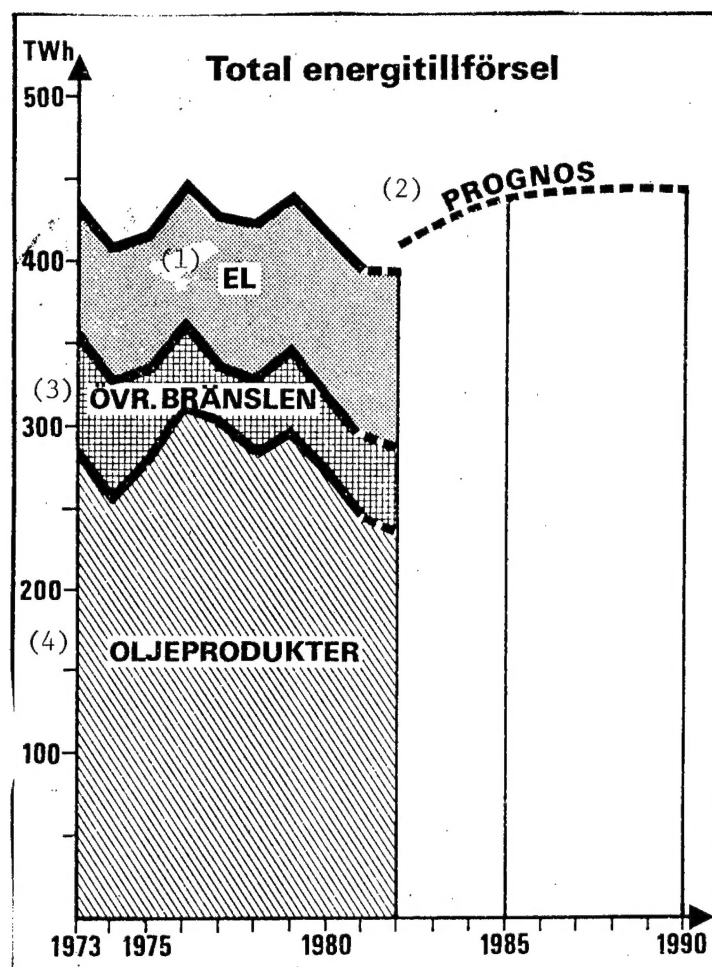
The graph shows that there was a drastic reduction in energy consumption, followed by an equally sharp increase, after oil prices quadrupled during the winter of 1973/1974.

After that, energy conservation measures as well as the slump in industrial production began to show an effect and following the most recent doubling of petroleum prices the demand for oil has decreased, with an accompanying increase in the demand for electricity. According to a report from the Energy Conservation Committee, most of the savings have been in the industrial sector.

The graph includes the government's 1980 energy prediction for the period from 1983 to 1990.

It is expected that the total energy consumption this year will be about 390 terawatt-hours (TWh), i.e. 390 billion kilowatt-hours. This is a 0.8 percent increase over 1981. The increase is due primarily to an expected upswing in industrial production, according to the Energy Conservation Committee's predictions.

The total electricity consumption in Sweden this year is expected to increase by 4 percent, including electricity used by district heating plants.



TOTAL ENERGY SUPPLY

Key to figure:

- 1 Electricity
- 2 Prediction
- 3 Other fuels
- 4 Petroleum products

LEADING BANKER ON CREDITS TO, DEBTS OF POLAND

Vienna PROFIL in German 19 Jul 82 p 14-15

[Interview with CA director general Hannes Androsch: "Keep Muddling Through"]

[Text] PROFIL interview with Hannes Androsch who says he will not extend credits to Poland again until martial law is lifted.

[Question] Poland is bankrupt. In 1982, it was no longer able to pay interest on its debt to the West. From a strictly business point of view, Poland would have to be written off as a bad risk. Why don't the banks do just that ?

[Answer] The problem of international credits and financial relations and the rules that govern them must be seen as a whole. Quite a few nations have had debt rescheduling problems in the past. At the present time, there are negotiations on rescheduling debts going on with Poland and several other countries. One of the rules governing international finance after all is that country risks not be viewed the same as strictly business risks. There is no way of striking a nation from the UN commercial register—which does not exist in the first place.

[Question] Just the same—throughout 1982 there has been talk of a genuine "declaration of bankruptcy" for Poland, most recently prior to the rescheduling negotiations in Vienna in July. There may have been fear that Poland would file for bankruptcy on its own; there may have been the intimation—as there was earlier this year—that the "hawks" close to Reagan would work toward that end, or there may have been an idea that some small bank on the Euromarket might get nervous and might dispatch that famous letter which starts the ball rolling. Are there no such fears ?

[Answer] There are; and they are a reflection of a general insecurity in international political and economic life. All this brings on a kind of nervousness. But it has been demonstrated again and again that such problems can be handled. As far as the actual Polish problems are concerned in this connection, I would not want to belittle them but I would stress that they need to be viewed in the proper dimensions and proportions. What may be a Polish risk to one is an Argentinian or Mexican to another and a Turkish risk to a third. There are such country risks today, whether we like it or not. And the thing is we cannot arbitrarily change the rules—above all not

in individual instances and for reasons of expediency. It is even less conceivable to use the network of international credit relationships as a political tool or, in other words, to use credits as a weapon. This might have untold consequences which must be warned against most resolutely.

[Question] One cannot be entirely sure that the Americans hold to the same view. What is your opinion of American policy in this matter ?

[Answer] It is hard to pass judgment on U.S. policy because it is difficult to understand their calling for sanctions on the one hand while supplying grain on the other in view of the fact that that is good for the American farmer. I cannot detect any real consistency there. But in my view, the kind of step you are implying will under no circumstances be taken. It would not be in Poland's interest or in anyone else's. My assumption is that Poland itself—given its natural resources and its agriculture—is a rich country and that it is in the interest of the Poles to make use of their untapped potential. And it must be in our interest to support that endeavor. There is a famous saying that if you owe the bank one thousand pounds, you have a personal problem; but if you owe the bank ten million, then the bank has a problem. And that holds just as true for international credits.

[Question] Are there any banks in Austria for whom Poland's filing for bankruptcy and the resultant necessity to write the Polish debts off would pose an existential problem ?

[Answer] No one would want to lose his assets. But I can only speak for our bank. For the Creditanstalt, it would not pose an existential problem as things stand.

[Question] Would you exclude the possibility for other Austrian banks as well ?

[Answer] I would above all exclude the possibility of such a situation arising. I would hope that the Israeli finance minister does not turn out to be right who once said: "Countries, nations, politicians and bankers—they all behave rationally; but not until all other alternatives have been exhausted."

[Question] Are credits being extended to Poland at this time ?

[Answer] No. The control bank has not been issuing any new covering notes since the middle of 1981. Under the circumstances, only such notes as were agreed upon earlier are being processed.

[Question] Without help from abroad, Poland has no chance of getting its house in order again. In actual fact, there is agreement that Poland will not get on its feet again unless it receives further credits and unless the West relinquishes its claims.

[Answer] By no means. Some day, Poland will have to be given credits again; that is correct. Prior to that, certain requirements will have to be satisfied. As for relinquishing claims, the banks are not prepared to do that; nor will they relinquish any part of them. That, too, would be a disservice to Poland.

[Question] But in the end, the creditor countries will have to give up at least part of the claims in any event.

[Answer] As things now stand, I would exclude that possibility.

[Question] In Turkey's case, which had run out of money too, the creditor nations started an aid program.

[Answer] No, I beg your pardon. It was not Western banks that brought Demirel and Ecevit down and installed a military government; it was the Turks themselves. The Turks altered their political situation and thereby became creditworthy again being asked to fulfill certain economic and monetary fund obligations and so forth.

[Question] In Poland, the political condition would already be fulfilled: they do have a "military government." So that can't be it. Under these circumstances the Poles will never be able to establish the kind of economic base it takes to become creditworthy again in the eyes of the Western banking world. So what are the conditions for Poland?

[Answer] The conditions can only be met, if the Poles themselves can and will take the necessary political steps. In concrete terms, this would mean the lifting of martial law which can certainly not be viewed as an incentive for performance on the Poles' part. And then they would have to guarantee the economically efficient and effective use of the credits in the future. Only then could financing of spare parts and raw materials be considered once again.

[Question] You are saying they would not get any credits until martial law was lifted. What about the Russians? To what extent do you think they will help the Poles?

[Answer] Insofar as the umbrella theory* ever really applied—and I have my doubts about that—it certainly does not apply in the sense that the Soviet Union will come in all the way for sure. Given its own problems, it may not even be in a position to do so. If the idea is to get the "Polish well" working again, there will be a need for Western aid in the final analysis; but then it would be logical to assume that Soviet aid will be forthcoming as well. After all, Poland is part of the Soviet sphere of influence.

* The "umbrella theory" stated that the Soviet Union would come to the aid of the other Comecon countries in case of need.